

Message Text

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PAGE 01 LONDON 07603 01 OF 02 021733Z

53

ACTION SS-15

INFO OCT-01 EUR-25 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 L-03 H-02 AGR-20

COME-00 PA-03 PRS-01 USIA-12 CIAE-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01 (ADP) W

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P R 021720Z JUL 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 2313

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 07603

FOR UNDER SECRETARY CASEY FROM THE AMBASSADOR

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC, US, UK

SUBJECT: EXPORT EMBARGO ON SOYBEANS AND COTTONSEED
AND THEIR BY-PRODUCTS

1. I AM DEEPLY CONCERNED BY THE IMPLICATIONS OF OUR
EXPORT EMBARGO ON SOYBEANS AND RELATED PRODUCTS FOR
OUR RELATIONS WITH THE UK AND THE EUROPEAN COMMUNITY,
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PAGE 02 LONDON 07603 01 OF 02 021733Z

AND FOR THE MULTILATERAL TRADE NEGOTIATIONS, AND I

TRUST THAT STEPS WILL BE TAKEN TO ENSURE THAT THE EMBARGO IS LIFTED AS QUICKLY AS POSSIBLE.

2. AS A TRADITIONAL IMPORTER OF LOW-COST FOOD WITH VIRTUALLY NO BACKWARD AGRICULTURAL SECTOR TO PROTECT, THE BRITISH ARE DETERMINED TO MAKE THE COMMUNITY'S AGRICULTURAL POLICY LESS SELF-SUFFICIENT AND LESS EXPENSIVE FOR THE CONSUMER. THESE WERE THE UK'S GUIDING OBJECTIVES IN THIS YEAR'S DEBATE ON AGRICULTURAL PRICES, AND THEY ARE THE BASIC REASON WHY THE BRITISH WANT TO MAKE REAL PROGRESS TOWARD THE LIBERALIZATION OF AGRICULTURAL TRADE.

3. THIS POSITIVE BRITISH INFLUENCE WITHIN THE COMMUNITY - WHICH IS CONSISTENT WITH LONG-RUN AMERICAN INTERESTS - WOULD BE SERIOUSLY UNDERMINED BY AN AMERICAN SOYBEAN EMBARGO WHICH DROVE UP FOOD PRICES IN THE UK AND PRODUCED CONSUMER CLAMOR FOR GUARANTEED SOURCES OF SUPPLY. IN THE FACE OF SUCH AN EMBARGO, THE BRITISH WOULD FIND IT MORE DIFFICULT TO RESIST FRENCH PRESSURE TO CREATE A CAP FOR SOYBEANS. THE UK WOULD ALSO FIND IT DIFFICULT TO ARGUE FOR A MORE LIBERAL COMMUNITY APPROACH TO AGRICULTURE IN THE NEXT ROUND OF TRADE NEGOTIATIONS, AS A UNILATERAL U.S. EMBARGO WOULD APPEAR INCONSISTENT WITH THE ASSURANCES THAT HAVE BEEN GIVEN BY HIGH AMERICAN OFFICIALS THAT WE WANT A WORLD TRADING SYSTEM BASED ON MARKET FORCES IN WHICH WE CAN WORK TOGETHER TO MAKE GREATER BENEFITS AVAILABLE TO ALL.

4. THE BRITISH GOVERNMENT HAS NOT YET PROTESTED TO US ABOUT OUR SOYBEAN EMBARGO. BRITISH OFFICIALS ARE WAITING TO SEE WHAT THE REAL EFFECTS OF THE EMBARGO WILL BE, AND THEY ARE NOT YET UNDER HEAVY PRESSURE FROM BRITISH IMPORTERS WHO HAVE GENERALLY FORESEEN THE SUPPLY SHORTAGES AND TAKEN STEPS TO PROTECT THEMSELVES AS MUCH AS POSSIBLE. THE EMBASSY HAS RECEIVED A NUMBER OF TELEPHONE CALLS FROM THE TRADE, WHICH WE HAVE ANSWERED IN ACCORDANCE WITH AVAILABLE GUIDANCE.

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PAGE 03 LONDON 07603 01 OF 02 021733Z

ANNENBERG

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PAGE 01 LONDON 07603 02 OF 02 021757Z

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INFO OCT-01 EUR-25 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 L-03 H-02 AGR-20

COME-00 PA-03 PRS-01 USIA-12 CIAE-00 FRB-02 INR-10

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P R 021720Z JUL 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 2314
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 07603

PASS AGRICULTURE

5. THE UNDERLYING CONCERN HERE IS EVIDENT, HOWEVER,
IN A STRONGLY-WORDED TELEGRAM FROM THE GRAIN AND FEED
TRADE ASSOCIATION TO THE US DEPARTMENT OF AGRICULTURE,
WHICH SAID: "SUCH ACTION ON THE PART OF A MAJOR EX-
PORTING NATION IN PEACE TIME IS UNPRECEDENTED AND
LIKELY TO UNDERMINE CONFIDENCE IN FUTURE TRADE
ARRANGEMENTS."

6. THE COMPOUND FEED INDUSTRY ADVISES THAT THEY IN-
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PAGE 02 LONDON 07603 02 OF 02 021757Z

TEND TO TAKE STEPS TO RATIONALIZE THE SITUATION BY
REDUCING PROTEIN CONTENT IN RATIONS ON AN INDUSTRY WIDE

BASIS AND BY ALLOCATING AVAILABLE SUPPLIES ON AN EQUIT-
ABLE BASIS.

7. THE BRITISH PRESS HAS ALSO REACTED WITH CONCERN.
THE TIMES SAID ON JUNE 29, FOR EXAMPLE, THAT WORLD
OILSEED DEALERS WERE "SHOCKED AND DISMAYED" BY THE US
EMBARGO. IT QUOTED HSNE LONDON DEALER AS SAYING THAT
THE AMERICANS ARE "BEHAVING LIKE SOME BANANA REPUBLIC."
THE FINANCIAL TIMES OF THE SAME DATE NOTED THE
"ALARM AND CONFUSION" EXPRESSED BY ANIMAL FEED TRADERS
IN BRITAIN AND EUROPE AT THE PROSPECT OF LOSING THEIR
MAIN SOURCES OF SUPPLY. THESE REPORTS WERE BALANCED
TO SOME EXTENT BY A FINANCIAL TIMES ARTICLE OF JULY 2
WHICH REPORTED THAT THE PRESIDENT HAD SAID THAT THE
SUPPLY PROBLEM FOR SOYBEANS WAS "ONLY A TEMPORARY ONE,"
AND THAT IT HAD BEEN CAUSED IN PART BY INFLATION IN
EUROPE WHICH HAD FORCED UP WORLD PRICES.

8. I AM AWARE OF THE SERIOUS DOMESTIC PROBLEMS WHICH
HAVE MADE IT NECESSARY FOR THE US TO IMPOSE THIS EM-
BARGO. I UNDERSTAND THAT WE HAVE TAKEN THIS STEP
TO COMBAT INFLATION AT HOME AND TO ENSURE THAT ADE-
QUATE SUPPLIES OF SOYBEANS AND OTHER PRODUCTS ARE
AVAILABLE FOR OUR OWN CONSUMERS. I MUST NEVERTHELESS
DRAW YOUR ATTENTION TO THE FAR-REACHING DAMAGING
EFFECTS WHICH OUR ACTION COULD HAVE ON OUR RELATIONS
WITH THE UK AND THE EUROPEAN COMMUNITY.

ANNENBERG

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